

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

U.S. SECURITIES AND
EXCHANGE COMMISSION,
Plaintiff,

Case No. 1:18-cv-5587

v.

Judge John Z. Lee

EQUITYBUILD, INC.,
EQUITYBUILD FINANCE, LLC,
JEROME H. COHEN, and SHAUN D.
COHEN,
Defendants.

**Creditor Liberty EBCP, LLC's
Statement Concerning Receivership Assets**

Creditor Liberty EBCP, LLC ("Liberty") hereby files this statement pursuant to the Court's Order Appointing Receiver [Dkt. No. 16] (the "Receivership Order")¹, and further states as follows.

1. On August 17, 2018, the Court appointed a Receiver in this case.

Paragraph 17.C. of the Receivership Order states that:

All banks, brokerage firms, financial institutions and other persons or entities which have possession, custody, or control of any Receivership Assets . . . that receive actual notice of this Order . . . shall file with the Court and serve on the Receiver and counsel for the Commission a certified statement setting forth, with respect to each account or other asset, the balance in the account or description of the assets as of the close

¹ The information contained herein has already been shared with the Receiver.

of business on the date of the receipt of the notice.

2. Liberty entered into a loan arrangement (the “Loan”) with SSDF7 Portfolio 1, LLC on May 2, 2018 (“SSDF7 Portfolio”). SSDF7 Portfolio is not designated as a “Receivership Defendant” under the list of entities described as Receivership Defendants in the Receivership Order and it is therefore unclear whether the assets of SSDF7 Portfolio are “Receivership Assets” as that term is defined in the Receivership Order.

3. SSDF7 Portfolio is wholly owned by SSDF7 Holdco 1, LLC (“SSDF7 Holdco”). SSDF7 Holdco also is not designated as a “Receivership Defendant” under the list of entities described as Receivership Defendants in the Receivership Order and it is therefore unclear whether the assets of SSDF7 Holdco are “Receivership Assets” as that term is defined in the Receivership Order.

4. SSDF7 Holdco’s owners are South Side Development Fund 7, LLC and South Shore Property Holdings, LLC, two entities which are designated as Receivership Defendants in the Receivership Order. As a result, Liberty is filing this disclosure in an abundance of caution, but is reserving all rights to assert that the assets of SSDF7 Portfolio are not Receivership Assets or otherwise subject to the terms of the Receivership Order.

5. Pursuant to the Loan Agreement between SSDF7 Portfolio and Liberty, Liberty established a collateral account (the “Collateral Account”) with the following

four subaccounts:

- a. An Interest Reserve Account, funded at closing with proceeds of the Loan with a current balance of \$600,000.00;
- b. An Insurance Reserve Account, funded monthly in the amount of \$7,344.67, with a current balance of \$22,044.01;
- c. A Tax Reserve Account, funded at closing with proceeds of the Loan in the amount of \$150,000.00 and funded monthly in the amount of \$13,000.00. To date (and prior to the receivership), \$131,921.36 has been disbursed from the Tax Reserve Account to pay taxes due, leaving a balance of \$45,278.64; and
- d. A CapEx Reserve Account, funded at closing with proceeds of the Loan in the amount of \$425,834.00. To date (and prior to the receivership), two draws of \$282,400.00 and \$72,000.00 have been made from the CapEx Reserve Account, leaving a balance of \$71,434.00.

An accounting of each of the reserve accounts comprising the Collateral Account is attached hereto as **Exhibit A**.

6. None of the amounts in the Collateral Account are property of SSDF7 Portfolio until the conditions for their release are satisfied. Pursuant to the loan documents among SSDF7 and Liberty (the “Loan Documents”), the funds in the Collateral Account and the Collateral Accounts themselves are subject to Liberty’s sole dominion and control, do not constitute a trust fund and may be comingled with other

funds held by Liberty. Further, under the Loan Documents, SSDF7 Portfolio has no right to withdraw funds from the Collateral Account and Liberty has the right to apply all or any portion of such funds against any of the obligations of SSDF7 Portfolio, in Liberty's discretion, including upon an event of default (which occurred pre-receivership). Lastly, under the Loan Documents, SSDF7 Portfolio pledged, assigned, transferred and delivered the Collateral Account and the funds in the Collateral Account to Liberty and granted a valid first lien security interest in the Collateral Account and the funds in the Collateral Account to Liberty.

7. Liberty reserves all of its rights under the Loan Documents, including with respect to the Collateral Account.

Respectfully Submitted,

/s/ Jonathan C. Myers

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Date: September 5, 2018

EXHIBIT A

Accounting of Reserve Accounts

[See attached]

Interest Reserve Balance					Insurance Escrow Account Balance					Tax Escrow Account Balance					Construction Escrow Account Balance				
Date	Debit	Credit	Description	Ending Balance	Date	Debit	Credit	Description	Ending Balance	Date	Debit	Credit	Description	Ending Balance	Date	Debit	Credit	Description	Ending Balance
5/2/2018		600,000.00	Initial Funding	600,000.00	5/2/2018		7,344.67	Reg. Balance	7,344.67	5/2/2018		150,000.00	Reg. Balance	150,000.00	5/2/2018		425,834.00	Reg. Balance	425,834.00
				600,000.00	7/1/2018		14,689.34	Ins Escrow	14,689.34	7/1/2018		13,600.00	Tax Escrow	163,600.00	6/5/2018	282,400.00		Draw 1	143,434.00
				600,000.00	8/1/2018		7,344.67	Ins Escrow	22,034.01	7/31/2018	131,921.36		Tax Payment	31,678.64	7/24/2018	72,000.00		Draw 2	71,434.00
				600,000.00					22,034.01	8/1/2018		13,600.00	Tax Escrow	45,278.64					71,434.00
				600,000.00					22,034.01					45,278.64					71,434.00
				600,000.00					22,034.01					45,278.64					71,434.00
				600,000.00					22,034.01					45,278.64					71,434.00
				600,000.00					22,034.01					45,278.64					71,434.00
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				600,000.00					22,034.01					45,278.64					71,434.00
				600,000.00					22,034.01					45,278.64					71,434.00
				600,000.00					22,034.01					45,278.64					71,434.00
	0.00	600,000.00				0.00	22,034.01				131,921.36	177,200.00				354,400.00	425,834.00		
			TOTAL:	600,000.00				TOTAL:	22,034.01				TOTAL:	45,278.64				TOTAL:	71,434.00

	7/31 Payments
2736 W 64th St	7,852.91
7600 S Kingston Ave	16,457.78
7546 S Saginaw Ave	11,466.37
7442 S Calumet Ave	5,465.76
7051 S Bennett Ave	5,023.32
6356 S California Ave	5,354.63
7656 S Kingston Ave	8,021.36
7701 S Essex Ave	8,891.48
7023 S Kingston Ave	2,153.80
7303 S Ellis Ave	7,140.73
4317 S Michigan Ave	4,788.50
6357 S Talman Ave	5,031.03
7201 S Dorchester Ave	5,743.07
7959 S Marquette Rd	7,507.99
816 E Marquette Rd	5,082.51
2453 E 75th St	9,973.31
7748 S Essex Ave	16,468.81
	<u>131,971.36</u>

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document has been served on September 5, 2018 by filing with the Clerk of Court using the CM/ECF system, which will send notification of such filing to counsel of record.

/s/Deon Goldberg